

REPORT of the HUDSON BAY COMMITTEE

of YOUNG MEN'S DIVISION of the SASKATOON
BOARD OF TRADE to the EXECUTIVE
FEBRUARY 14, 1946

HISTORY

The initial navigation of the Hudson Bay was made by Hudson in 1610. In 1670 the Hudson Bay Company started operations into the Bay. Much of the early settlement of the west came over this route. The Hudson Bay Factors, on their way to posts, and the Selkirk Settlers, came this way. It is, therefore, not a new route—it is an extremely old one. It is, however, more natural to think of it as such for an older generation who knew these men; our own generation accustomed to thinking of the now established lake and rail routes to the east as the original way to the sea, are inclined to think of the Hudson Bay route as a new venture. Publications of the Hudson Bay Association in 1931 point out that from "1670 till that time (1931) vessels of all descriptions, from 70-gun ships to modern dredges, have crossed the ocean and passed through the Straits and Bay with the loss of only two vessels."

It has been pointed out that railway expansion followed a parallel course to that of the water route expansion to the west in a previous era. The old fur companies were more than their name implied. Fur was a currency and all commerce flowed east and west in terms of fur. The term fur, as applied to early trade in the west, is symbolical of all commerce. The old North West Fur Company starting from the older established bases in the St. Lawrence, expanded west by the southern lake route. When, however, the bulk of their trade was centered west of the Lakes, they came into competition with the Hudson Bay Company using the more direct route to the heart of the west. The North West Fur Company finally went under, and history records it was costing them **four times as much to get their fur out by the southern route and over to England than it was costing the Hudson Bay Company.** The railways crept west from the St. Lawrence for the same economic reasons as the earlier North West Company had done, and used the same route for the same reasons. It was logical, therefore, that an older generation should draw a parallel between these two eras. If it was more expensive to traverse a southern route by water than it was a northern route by water from the west, it would most certainly appear to be cheaper to use the northern route which still had an advantage in water distance available against the all-steel route to the south, a proven more expensive method of transportation.

Agitation for the building of the railway to the Hudson Bay began in 1877. A Charter for the Winnipeg Hudson Bay Railway & Steamship Co.

was granted in 1880. This company received in 1884 18,000 acres as a land grant in Manitoba and North West Territories to aid in cost of construction. This company and its charter were bought out by MacKenzie, Mann and Company. This latter company extended construction throughout the west but never got to the Bay—the land grant offer in connection with the Hudson Bay Route was cancelled in 1908. The Great Northern Railway had benefitted in part under this grant by building from Hudson Bay Junction to The Pas. Public agitation in the west resulted in the Federal Government selling, between 1908 and 1918, some 14 million acres in the three prairie provinces for 42½ million dollars to set up a fund for building a railway to Hudson Bay. Surveys were made from The Pas to Nelson and to Churchill in 1908 and 1909. In 1910 a contract was let to build a bridge over the Saskatchewan River at The Pas, and the next year a contract let for the building of 185 miles of the total 510 from The Pas to Churchill. In 1913, before construction had gone very far, the terminus was switched to Nelson. Between 1913 and 1917 a right-of-way was cleared and graded to Nelson, and steel was laid 332 miles out of The Pas. Work, in the meantime, had been going on at Nelson on the construction of the port. Construction on the port was stopped in 1917 and on the railway in 1918. Limited service was maintained from The Pas to Mile 214. In 1920 Associated Boards of Trade petitioned the Government to re-open the project, to no avail. In 1922 orders were issued to tear up the rails. In 1923 the Boards of Trade joined forces with farmers' organizations and formed the On-to-the-Bay Association. Resolutions by public bodies, and a petition signed by 175,000 electors in the west were presented to the Federal Government at the time, but were ignored. Pressure was maintained, and in 1926 construction was resumed and the entire trackage had to be rehabilitated. Total spent to the end of 1918 had been six million on the Port of Nelson, and fourteen million on the railway.

After construction resumed in 1926 controversy was still raging over the comparative merits of Nelson and Churchill as the terminus of the railway. Sir Frederick Palmer, the consulting engineer, finally reported in 1927 that Churchill was the logical terminus, and plans were switched once again. The railway was completed in 1929 to Churchill, and work had progressed far enough in 1931 on the Port itself to make tests.

Advantages Pressed During the Period of Its Construction Were:

1. The railway would open up the northern mining area.
2. Provide the dreamed of short route to the sea and eliminate the disadvantages suffered by the west as a result of high freight cost on imports and exports, owing to the long rail-haul. It was also contended that if the savings were not realizable directly from the route, its existence might result in more favorable rates as it would always constitute an alternative route. This latter worked out in the early thirties with the abrupt drop in lake rates on wheat.
3. It would have, many people felt, a tendency to break the stranglehold which eastern finance had over trade in and out of the west.

The Construction Costs to March 31st, 1945, Are as Follows:

The Hudson Bay Railway—32½ millions.

The Terminal Works, Churchill—13 millions.

The Terminal Works, Nelson (abandoned)—6 millions.

Total—51½ millions. (Chevrier's report to the House, October, 1945).

FACILITIES

1. The Hudson Bay Railway—510 miles running from The Pas to Churchill; built of the heaviest rails in the west—120 lbs. to the yard.

2. The Port of Churchill:

- (1) The terminal elevator with a capacity of 2½ million bushels, with the most up-to-date loading and unloading equipment.
- (2) Wharf with a frontage of 1,855 feet; berthing accommodation for four vessels on the eastern side of the harbour; railway; tracks on the wharf; floating derrick of twenty tons' capacity; scows for removing ships' ballast; electric light installations available; two locomotive cranes of 15 to 20 tons' capacity; modern freight shed some 500 by 200 feet; open area on the wharf for storing 40,000 tons of coal; cattle pens for 20 carloads of cattle; fresh water reservoir of 20 million gallons capacity.

3. The townsite is under control of the Manitoba Government, and sites are obtainable on a lease basis from them.

The railway is at present operated by the C.N.R. for the Dominion Government. The Department of Marine in Ottawa controls the shipping interests of Canada, including the Port of Churchill and the Hudson Bay Route. The National Harbours Board, essentially an arbitration board, took over the management of the Port and its facilities in 1937.

Use Made of the Port to Date:

From 1931 to 1939 some 70 ships came into the Port; the greatest number of these, 35 in all, came in during the three-year period, 1932 to 1935. From 1939 to 1944, the war years, there were 27 ships which went out, most of these in 1942 and 1943. They were operated by the American Army.

From 1931 to 1944 there have been 21 million bushels of grain go out; 780 head of cattle; 1,000 tons of general cargo; 2½ F.B.M. of lumber; 34,000 tons of war material. Imports: 10,000 tons of general cargo, and 5,000 tons of coal. These figures indicate approximately 22 million tons of exports and 15,000 of imports, a ratio of about 1 to 1,400. This is not necessarily indicative of the chances of the route, although it has been used as an argument against it; the majority of this tonnage moved during early 30's when western Canada's purchasing power was at a low ebb, a factor which, combined with the fact that the route was new, does not give a fair picture of the possibilities. Further mention will be made of this later in the report.

To this point, construction and use of the Port to date has been covered.

The logical questions now are: Why has the Port not been used more? Will the Port ever be used to capacity? Will its use benefit western Canada?

The main arguments on these points revolve about:

- 1.—Tariffs, including Marine Insurance.
- 2.—Technical difficulties (Ice, Fog, etc.).
- 3.—Commercial difficulties.

TARIFFS

The original agitation for the Route was based on two general assumptions: First, water transportation is cheaper than rail transportation, and the distance from most western cities to the seaboard via Churchill is about half the distance from those same cities to seaboard via Montreal; Secondly,

the overall haul from most western cities to Liverpool is 1,000 miles shorter via Churchill than it would be via Montreal. This should logically mean lower tariffs on rail haul and lower overall shipping costs.

There are in effect in Canada several rate bases, two of which are the export and import rates. The export rate is lower on goods destined to a seaboard city for export than it is on goods destined to that same city for domestic consumption. There is also a slightly different rate from that seaboard city on import goods carried inland than that in effect for shipments originating in that city. On the export basis, tariffs have been provided for those goods which have gone over the route. Additional tariffs can be set up on a mileage basis for those goods for which no rate is in existence and a fixed tariff can be obtained later from the Board of Railway Commissioners. Additional factors enter a general comparison of freight rates between two ports, but reducing the classification to an equal basis, an indication of the general situation can be given. Comparing rates from Saskatoon to the seaboard via Churchill, and those via Montreal, we find:

Livestock: Savings via Churchill, 123 dollars a car, approximately half the rate to Montreal.

Dairy Products: Savings via Churchill, 365 dollars a car, saving of about 35% over Montreal.

Rates on Eggs: Saving 160 dollars a car, saving of approximately 33% over Montreal.

Grain: Moore, Churchill, in the House, quoted the Board of Grain Commissioners as saying the use of the route would save western Canada approximately 7c a bushel, basis Fort William. A comparative picture of the difference in shipping costs of grain and the advantages of the Churchill route is difficult. It is complicated by: the fluctuating rates on the Great Lakes in the last few years; the method of quoting grain prices; the complicated marketing machinery which has been set up in the last few years and is still in a state of flux, namely, the suspension of the Grain Exchange, the Board of Grain Commissioners, the Wheat Board, wheat subsidies, the Food Controller in Great Britain, and the shipping pool. There is every indication that a saving could be realized but how much, how it would be drained back to the farmer, how it would be shared by the farmer, is a complex problem.

REGARDING TARIFFS

The supporters of the route contend:

1. There are substantial savings to be made to western Canada on these apparently set freight rates on all commodities.

2. That the various grain bodies and controllers could get together and drain these savings, in so far as grain is concerned, back to the farmer. At the present time, a farmer cannot direct that his grain be shipped via Churchill.

3. That, as long as boats are going out full, the shipping companies would be satisfied as a large percentage of the world's shipping moves one way under ballast; any return cargo is so much the better.

4. That the rates as set for rail freight are economic and, as the railway is paid for while the other two systems carry heavy bonded indebtedness, any revision of rates should be down rather than up.

Those Opposed to Development of the Route Contend:

1. That existing rates do not necessarily mean that these rates will continue and, hence, the favorable difference to Churchill may not continue.
2. That these rates are only possible because of subsidization of the Route and Port. It is pointed out that, with obvious savings, the route has not been used for the past 10 years to anywhere near capacity and that operating deficits were absorbed by the Government in all except one year.
3. That the volume of imports into western Canada would not induce boats to come into this Port.

MARINE INSURANCE

In spite of these rail savings and approximately the same sea haul, the current marine insurance rates to some extent offset these savings. (Moore, Churchill): "At the present time Marine Insurance rates are based on 'Whole World' basis, renewable yearly, and are subject to what are known as 'Institute Warranties'." The warranty clause provides that no ship may enter Canadian Ports with the exception of Vancouver, Prince Rupert, Halifax and St. John. An additional fee must be paid to enter other ports as laid down by the Joint Hull Committee. It is maintained this additional fee is exorbitant in the case of Churchill. In addition, insurance will only be granted in an open season, as recognized by the Joint Hull Committee. This, it is claimed, is set arbitrarily and is unduly short, namely, from August 15 to October 15, two months. The extra warranty was at one time ten times as great for a boat coming into the Bay as it was for one entering the St. Lawrence. The Joint Hull Committee reported, through the Imperial Shipping Commission, in 1938, that the first nine seasons of Churchill's operation could be considered the experimental period, and that if 20 ships were to use the Port of Churchill in 1939, without serious loss, that the rate for 1940 would be reduced. This committee says that the reasons for additional warranty is magnetic disturbances, ice, fog and the difficulty of salvage, in case of loss. With the exception of difficulty in salvaging "it is the view of the committee that the Hudson Bay Route need not be considered as more risky than the St. Lawrence." War broke out in 1939 and, so far as is known, Marine Insurance rate reduction still depends on an increase in the volume out of Churchill or, as it has been suggested, the use of radar and gyro compasses, etc., might induce the companies to reduce the rates.

PHYSICAL DIFFICULTIES

The next major point of contention is the question of physical difficulties. Opinions as to the length of time that the route is open and, more important, the length of time which it could be kept open, vary. As stated, the Marine Insurance Companies will cover boats using the route for a two-month period only, implying that it is too dangerous for shipping at other times. The ruling applies to the Harbour, the Bay and the Straits.

Reports tabled in the House indicate "ice out of the Harbour" has been around June 10, for the years from 1928 to 1944, opening as early as May 17, and as late as June 20. For the same period, average closing date for navigation has been October 20. This gives an average season of four months. According to Department of Transport Minister Chevrier, the date at which the ice goes out of the Bay and Straits is much later. The danger of this ice seems to be when it is running. This running ice, coupled with fog in the

Straits, seems to present the problem. There are several schemes for keeping the Harbour free of ice. A good deal of the difficulty at the Harbour itself seems to be slush ice from the Churchill River, and a canal has been proposed to have the fresh water bypass the Harbour and thus extend the season. Another proposal is a breakwater to provide ships at the docks with protection. Opinions vary as to whether or not the Bay and Straits can be navigated safely over a prolonged period. There are several D.F. stations to safeguard the route. D. J. Munro, Nautical Assessor, of the Courts of Scotland, lists the following instruments as having greatly contributed to the safe navigation of the Hudson Straits.

- (1) Echo Depth Recording; (2) D.F. Stations; (3) Gyro Compasses;
- (4) Radar.

It is contended that the season is only as shown by the insurance companies, two months; others maintain that it can be kept open up to six months by: Adding the equipment mentioned above to ships using the Port; by ice breakers; by diversion schemes.

It is also contended that, while it is a fresh water Port, and it will be closed for part of the season, so also are Fort William and the St. Lawrence Ports.

These dates, too, are complicated by the fact that ice, as recorded by different groups, does not always mean the same thing. Without further definite information, your committee would hesitate to give any estimate of the average time which the route could be kept open.

COMMERCIAL DIFFICULTIES

The third major problem is that group of difficulties which can be designated as commercial. Many of the difficulties are interlocking and complex. The purposes of this report will be served by an outline of one or two of them. It has been noted that a volume of trade will be needed to prove whether or not the Route is feasible. One or two ships will test the equipment, but not the economic value of the Route. Costs are naturally disproportionately high on the token number of ships that have used the Port. Boats do not make routine calls on ports to pick up odds and ends, nor do buyers purchase for import on uncertain dates of delivery. The procedure for exporting is as follows:

A shipping company, after reasonable assurances of cargoes, usually based on experience, makes out a list of Ports at which its boats will call in the next two or three months. These scheduled sailings are distributed to exporters and importers. An exporter has a fair idea of his possible sales in the area to which a particular boat is sailing. He knows when it will leave this country and when it will arrive at its destination. He then asks for cargo space on this boat. With his space, his date of sailing and arrival, he then approaches his customer or customers and sells his product, to be shipped in the space already obtained. The buyer knows when he will get his stock and, from the list of sailings into organized Ports, can pretty well gauge his shipments so that he is always in stock. The boats aren't coming into Churchill so space isn't available to approach a customer, and the boats won't come in until there is an assurance that there is a cargo, among other things. In other words, no boats—till cargoes; no cargoes—till boats.

In addition, it is a lot of expense and bother to readjust routine, both for shipper and buyer, and certainly not worth either taking the initiative for one or two shipments, as has been the case with Churchill in the past. There was an agent at one time, an employee of the Saskatchewan Government, sent to Europe to try and drum up business for the route. His reports indicate that there was no antagonism to the route among shippers, but no enthusiasm for the delays and inconveniences while they straightened out the kinks in the new route.

There are none of those multitude of services which are supplied in a seaport town. There is no town. The other ports in Canada had a nucleus to begin with. There were industries and trades and population to balance the economies of these ports. Churchill, so far, has none of these. Business men will not venture in to provide these services with the uncertain future of the Port, and the lack of these services contribute to the fact that the Port is not used. At the present time, only skeleton crews are left in to maintain equipment during the off season. Crewmen, and even the coal to bunker boats, must all be brought in at the opening of the season. Conflict, too, with existing distributing channels, complicates the picture.

So far as your Committee can ascertain, this briefly summarizes the situation with regard to the Hudson Bay Route up to the present.

The route was built as a result of agitation in the west. Western M.L.A.'s, Boards of Trade, farmers' organizations and, from time to time, provincial governments, have pressed for increased use of the Port. The On-to-the-Bay Association, now the Hudson Bay Association, have fought continuously for its increased use. There have been spurts of interest, as a result of this pressure, which apparently died as a result of pressure from opposing factions. Various proposals have been made from time to time. Some of these are:

1. Establishment of Publicity Agencies, Government subsidized, or otherwise.
2. Government selling agencies in Europe.
3. Government buying agencies in Europe.
4. Change in control of the route. (Board of Western Management, etc.).
5. Pressure on Grain Board to increase use of the Port.
6. Quoting grain basis Port Churchill.
7. Selling grain to exporters directly at country elevators.
8. Leasing government ships to private companies for use in Churchill.
9. Government operating boats into Churchill.
10. Equipping boats with the necessary special equipment from War Assets, at government expense.

All these things have been proposed at various times, singly or in groups, as ways and means of breaking the deadlock. Opposition to the Port maintain that it isn't a feasible route and any or all of these suggestions are only pouring good money after bad; they maintain that it has had an opportunity to show what it can do, in that it has been open for ten years.

time years and has shown nothing, and should be scrapped now. The advocates (until lately, largely western) have maintained that it has not had a chance, that it was open for the ten worst years in western Canada's history and, coupled with this, was fighting the battle of a new route, as well as active government and financial opposition; that its problems are not real, but prejudicially created ones; that fundamentally the principle of an inland Port is sound.

We have these two groups lined up, one maintaining that it is feasible, the other that it is not, both groups having a tendency to argue its merits and demerits on fragmentary phases of the route, and both posing hypothetical problems and solutions. There has been, up to the present, a tendency to place the onus upon the west to prove the usefulness of the Port, hence the various suggestions put forth to pull the plug.

I think it is obvious from this summary that no one or two adjustments are going to put the Port and Route in full operation. The complexity of the problems involved of necessity require a co-ordinated control, with full power to cut red tape, to get it into operation. It is obvious, too, that the Route has never operated to anything near capacity, and no one can have the faintest idea whether or not it is an economically feasible route until this has been done.

The attitude now is that, logically, the route should be of some use to the west; existing rates prove that possibility, other factors remaining equal; that we have spent 55 millions on building it and little or nothing on operating it. It has not been given a chance to prove whether or not it is feasible, whether it is an asset or a liability. Instead of trying to prove it is, or is not, a feasible proposition on assumptions, the western organizations feel that the Federal Government should give the route a fair trial; ways and means may be suggested, but the opinion at present seems to be simply that the government can determine its own methods, so long as the experiment is a fair one from the point of view of the west. This places the onus on the government of proving its feasibility. Only when this has been done, and the Route proved either a failure or a success, will the west be satisfied.

Owing to the fact that the controls, which to a large extent complicate the route's operation, are already in the hands of the Federal Government, they are the logical party to conduct the experiment. It is not intended to ask the government to operate the Port permanently (socialize it), but that they operate it for a fair period to settle the controversy. In view of the favorable attitude in the House this year, the assured market in Europe for the next year or so; the post-war expansion period due in the west, together with Britain's renewed export program, it is felt this is the year to push for action.

The meeting of the provincial governments of Manitoba, Saskatchewan and Alberta, on February 12, set up a five-man committee to interview the government and, after studying the situation, to "confer with the Federal Government with the object of insuring the maximum use of the Hudson Bay Route and facilities of Churchill."

The Hudson Bay Committee,
Young Men's Division.

JAMES L. BOYD, *Chairman.*